



Redstone Government Consulting

COVID-19 GovCon Forum April 13, 2020

PRESENTERS:

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REDSTONE GOVERNMENT CONSULTING

COVID-19: GovCon Forum

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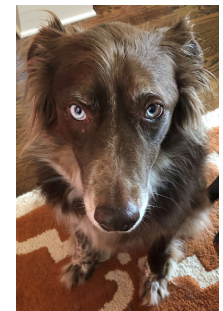
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Disclaimer and Notes

- Information provided is as of today. Things are changing rapidly, and we suspect many things we discuss today will continue to evolve.
 - We have CPAs and Attorneys on the line who all have professional ethics and liability obligations to honor.
 - Anything discussed today isn't intended to be (and shouldn't be taken as) advice, legal, financial or otherwise.
- Please submit questions as we go. We will likely run long depending on the number of questions we get. You are welcome to come and go. Our goal is to work in as many questions as possible and if we don't get to your questions today, we will retain for the next session.
- No CPE is being offered for this session.
- We are in our home offices like many of you. If you hear from my co-worker Ollie, I apologize in advance.



Moderator
Asa Gilliland
President, Redstone GCI



Head of Squirrel Security
Ollie

3 Big Takeaways

- I. Track it.
 - a. Capture the costs associated with COVID-19 related events in a separate project, account or other “bucket.”
- II. Document the business case.
 - a. We have an obligation to mitigate costs where we can, so it is important to document the “why” behind the decisions made in the moment.
- III. Communicate with your customer(s).
 - a. Communication may feel one-sided at times but keep communicating to show intent if questions are raised later. It is imperative to keep your customer(s) informed.

Question #1

Q1: Michael, how should we help our employees ensure they are protecting company assets from cyber threats when working from home?

- What's going on with the online meetings? Is it true that hackers can join a web meeting and eavesdrop or execute malicious activity? If so, what should we do to keep this from that happening?
- Michael, will COVID-19 delay the roll-out of CMMC? If the CMMC was in live today, would it extend to our work from home environments?

Question #2

Q2: Jerry, with the COVID-19 precautions creating significant inefficiencies within our industry, invariably companies will experience an increase in indirect rates. What are your thoughts on addressing these cost increases through the FAR 52.243-4 Changes Clause or through the FAR 52.216-7 Allowable Cost and Payment clause?

Question #3

Q3: Jerry/Rich, Right now our experience is that at the large prime level, things are happening quickly as far as coordination and modifications to account for pandemic related costs. However, for many small to mid-sized businesses working with their ACO or prime is anything but efficient.

1. What are some things companies should be doing if they cannot get responses for their requests for communication, guidance or even claims?
2. Can a C.O. indefinitely delay a claim simply by ignoring it or repeatedly asking for “more information”?

Question #4 and more.

- How are others dealing with "stand by" customer requirements in the Intel community from a time charging perspective - billing/direct charge or PTO or?
- The rules are still indicating that the credit of payroll taxes under the FFCRA has to be reported as income. Our intent was to credit our expense so that there was no impact to rates. How is this intended to work? The income can only be the direct costs and no burdens and to include these costs in your indirect rates would be double dipping. How do you suggest this is handled?
- How do you suggest that we account for any loan forgiveness amount resulting from PPP in the government contracting environment? Would it still be treated as income? Also for EFMLA and EPSL, how do you suggest that we account for these costs as well as the corresponding tax credits? We are anticipating that these costs would become part of our fringe pool and the tax credits would be an offset to the fringe pool costs.
- I would be interested in a discussion about the PPP loan when we are a government contractor with cost reimbursable contracts -- isn't it double dipping? Thank you.
- I understand that you can't advantage of the PPP (now that that it is any small business) and the PR tax deferment. I think it is either one or the other. Do any of these policies if taken impact a potential Sec. 3610 option?



PPP, Section 3610 CARES Act & FFCRA Leave Intersect

What we know...

- Government has made it clear that they do not want “double-dipping” through the Acts themselves, as well as the 8-April DPC Memorandum.
- Existing language concerning “credits” at FAR 31.201-5 is fairly clear, though it has never been applied to a situation like this.
 - applicable portion of any income, rebate, allowance, or other credit relating to any allowable cost and received by or accruing to the contractor **shall** be credited to the Government
- Process for requesting and receiving approval for exemptions to PPP is neither guaranteed, nor the process fully defined...uncertainty.
- Contract type/mix will play a role in the application of Section 3610 and PPP forgiveness. It’s unclear what that role will be.
- Take things one-step at a time.

Quick Overview of Section 3610, CARES Act and PPP

John, could you give a quick overview of the CARES Act provisions that seem to provide relief to government contractors?

- Group, I understand that last week Defense Pricing and Contracts issued a class deviation related to Section 3610? Did that clarify things? What thoughts do you have related to the memorandum?
- Group, what are some of the issues that contractors should be thinking about now regarding PPP, CARES Act, Sec. 3610, EFMLA/Paid Sick Leave and other stimulus opportunities?

Cost Accounting For PPP, Sec. 3610, et al.

Let's talk about the near-term situation. Contractors have access to a number of recovery mechanisms. Is there a preference in terms of which avenue to use?

In the future, as recovery is realized either through loan forgiveness, payroll tax credits or through payments under Sec. 3610, what should contractors be aware of and what guidance has been offered thus far by DOD?

Wrapping Up

Jamie/Sheri, we had a few questions come in related to the paid sick leave. Is this leave over and above the leave already provided by the company? For instance, if an employee takes their normal PTO due to illness or to care for a family member, are they then entitled to an additional 80-hrs of leave pursuant to the FFCRA provisions?

- Are all employees eligible for the EFMLA/Paid Sick Leave offered under the FFCRA? Even temporary/on-call/part-time employees?

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